

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 EUR-12 EA-10 IO-13 ISO-00 STRE-00
OIC-02 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00
ICAE-00 INRE-00 AGRE-00 CEA-01 COME-00 FRB-03
H-01 INR-10 INT-05 L-03 LAB-04 PA-01 CTME-00
AID-05 SS-15 STR-07 ITC-01 TRSE-00 SP-02 SOE-02
OMB-01 DOE-15 /132 W
-----018853 221116Z /16

O R 221055Z JUN 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 7404
INFO ALL EC CAPITALS
AMEMBASSY BUENOS AIRES
AMEMBASSY CANBERRA
AMEMBASSY OTTAWA
AMEMBASSY TOKYO
USMISSION GENEVA

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PASS ELECTRONICALLY USDA FOR ASST SEC HATHAWAY AND STR
FOR AMB WOLFF

USEEC ALSO FOR EMBASSY

USMTN

E.O. 11652: N/A
TAGS: EAGR, ETRD, OCON, EEC
SUBJECT: INTERIM COMMITTEE ON GRAINS: COARSE GRAINS

REF: (A) LONDON 9610 (B) GENEVA 3667

1. SUMMARY. THE COARSE GRAINS WORKING GROUP OF THE
INTERIM COMMITTEE ON GRAINS WAS UNABLE TO RESOLVE DIF-
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FIERENCES ON A DRAFT COARSE GRAINS TRADE CONVENTION.
THEREFORE, IT FORWARDED TO THE INTERIM COMMITTEE A DRAFT
WHICH CONTAINS OPPOSING VIEWS ON AUTOMATICITY OF CON-
SULTATIONS, NOTIONAL PRICES AND ON OBJECTIVES OF A CON-
VENTION. THE INTERIM COMMITTEE WAS UNABLE TO RESOLVE
THESE DIFFERENCES.

2. IN AN EFFORT TO BREAK AN APPARENT DEADLOCK IN INTERIM COMMITTEE DISCUSSION ON THE POSSIBLE COARSE GRAINS ARRANGEMENT, CONFERENCE CHAIRMAN DUNKEL FORMED A COARSE GRAINS WORKING GROUP COMPOSED OF THE U.S., ARGENTINA, EC, CANADA AND JAPAN. ARGENTINA CHAIRED THE WORKING GROUP WHICH MET AT VARIOUS TIMES DURING JUNE 20/21 IN AN ATTEMPT TO REACH A COMPROMISE, IN PARTICULAR ON THE EC'S INSISTENCE ON AUTOMATICITY OF CONSULTATIONS.

3. AS A BASIS FOR DISCUSSION, THE GROUP CONSIDERED THE CHAIRMAN'S DRAFT COARSE GRAINS CONVENTION WORKING PAPER WHICH FORMALIZED THE ARGENTINE NON-PAPER PREVIOUSLY DISTRIBUTED (PARA 6, REF A). THE WORKING PAPER TO LARGE EXTENT FORMALIZED ARGENTINE PROPOSAL TABLED AT UNCTAD CONFERENCE FOR A COARSE GRAINS DRAFT CONVENTION (REF B).

4. FUNDAMENTAL DIFFERENCE BETWEEN EC AND OTHER WORKING GROUP DELEGATIONS KEYED ON TRIGGER MECHANISM FOR CONSULTATIONS. CHAIRMAN'S WORKING PAPER GAVE IWC ADVISORY SUBCOMMITTEE ON MARKET CONDITIONS (ASMC) AUTHORITY TO IDENTIFY A SITUATION OF MARKET INSTABILITY FOLLOWING WHICH THE COARSE GRAINS COMMITTEE WOULD CONVENE WITHIN FIVE WORKING DAYS IN ORDER TO CONSULT. ON THE OTHER HAND, EC INSISTED ON PRE-DETERMINED TRIGGER MECHANISM BASED DIRECTLY ON PRICES AND IN ADDITION INSISTED THAT CONSULTATIONS MUST OCCUR AT TWO POINTS ON BOTH A RISING LIMITED OFFICIAL USE

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AND FALLING SCALE; AN INITIAL "ALERT" POINT WHICH WOULD INDICATE THE ADVENT OF MARKET INSTABILITY AND AGAIN, IF PRICES CONTINUE TO RISE OR FALL, IN ORDER TO DISCUSS POSSIBLE CORRECTIVE NATIONAL MEASURES.

5. THE U.S., ARGENTINA AND CANADA ARGUED THAT CONSULTATIONS COULD BE TRIGGERED ONLY BY MEMBERS OF THE COMMITTEE BASED ON INDIVIDUAL EVALUATIONS OF THE MARKET AND DRAFTED AN ALTERNATIVE ARTICLE DEALING WITH THIS ISSUE AS FOLLOWS:

"A. IF ANY MEMBER(S), ON THE BASIS OF THE REPORT, AND/OR OTHER FACTORS WHICH MAY AFFECT THE COARSE GRAIN TRADE, CONSIDER(S) THAT A SITUATION OF MARKET INSTABILITY HAS ARISEN, OR THREATENS TO ARISE, IT MAY REQUEST THE EXECUTIVE SECRETARY TO CONVENE A MEETING OF THE COMMITTEE. THE COMMITTEE SHALL MEET FOR CONSULTATIONS IN X WORKING DAYS TO REVIEW THE SITUATION, (AND DETERMINE IF A SITUATION OF MARKET INSTABILITY EXISTS. IF A SITUATION OF MARKET INSTABILITY IS CONFIRMED, THE COMMITTEE SHALL THEN EXAMINE MUTALLY ACCEPTABLE SOLUTIONS THAT MIGHT BE RECOMMENDED TO MEMBER COUNTRIES TO RESTORE NORMAL MARKET CONDITIONS.

"B. IF THE SITUATION OF MARKET INSTABILITY CONTINUES, ANY MEMBER MAY REQUEST THE EXECUTIVE SECRETARY TO RECONVENE THE COMMITTEE TO CONSIDER WHAT FURTHER ACTIONS MAY BE TAKEN.)" SIMULTANEOUSLY, THE EC PRESENTED A TEXT THAT FORMALIZED

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ITS PRICE TRIGGER MECHANISM CONCEPT FOR CONSULTATIVE PROVISIONS, I.E. ALERT AND ACTION POINTS DETERMINED BY PERCENTAGE CHANGED IN MARKET PRICES, IN THE FIRST CASE OVER A 3-YEAR AVERAGE AND IN THE SECOND OVER THE PREVIOUS MONTH.

6. IN SUBSEQUENT DISCUSSIONS OF THE TWO DRAFT ALTERNATIVES, IT BECAME APPARENT THAT THE POSITIONS WERE IRRECONCILABLE. JAPAN SUPPORTED OUR POSITION. THE U.S. THEN EXPLAINED THAT OUR PROPOSED ARTICLE 5 WAS AN ATTEMPT TO ACCOMMODATE THE EC AND IN FACT EXCEEDED TO SOME EXTENT

OUR INSTRUCTIONS. IN VIEW OF THE EC'S OPPOSITION, WE
WOULD THEREFORE BE FORCED TO "BRACKET" THE LANGUAGE OF
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OUR COMPROMISE PROPOSAL WHICH DEALT WITH THE DETERMINA-
TION OF A SITUATION OF MARKET INSTABILITY AND THE EXAMI-
NATION OF POSSIBLE SOLUTIONS.

7. THE WORKING GROUP CHAIRMAN DECIDED, AND THE MEMBERS
AGREED, THAT THE ONLY RECOURSE WAS TO TABLE THE DIFFERENT
VERSIONS OF THE PROVISIONS REGARDING CONSULTATIONS. THE
EC THEN ADDED AS EARLIER INDICATED AN ARTICLE THAT WOULD
SET LOWER AND UPPER NATIONAL PRICES FOR COARSE GRAINS AND
COMMIT MEMBERS OF THE AGREEMENT TO UNDERTAKE NATIONAL
MEASURES AIMED AT KEEPING COARSE GRAIN PRICES BETWEEN THE
UPPER AND LOWER NATIONAL PRICES. THE EC IN ADDITION
TACKLED ON TWO MORE OBJECTIVES WHICH WOULD TIE A COARSE
GRAINS CONVENTION TO A WHEAT TRADE CONVENTION AND CALL
FOR MODERATION OF WHEAT AND COARSE GRAIN PRICE FLUCTUA-
TIONS. BOTH OF THESE OBJECTIVES WERE BRACKETED BY THE
U.S., CANADA, ARGENTINA. JAPAN CONCURRED.

8. FINAL WORKING PAPER CONTAINS THREE ALTERNATIVES FOR
TRIGGER MECHANISMS:

- A. CHAIRMAN'S VERSION BASED ON ASMC DETERMINATION;
- B. U.S., ARGENTINE, CANADIAN VERSION BASED ON
INDIVIDUAL MEMBER EVALUATION; AND
- C. EC VERSION BASED ON PRICE TRIGGERS.

9. SUBSEQUENT DISCUSSION WITH EC MEMBER STATE REPS AND
COMMISSION REPS DISCLOSED SOME DEGREE OF DISSENSION
WITHIN THE EC COMMISSION AND ALSO AMONG THE MEMBER
STATES ON THE NATURE AND CONTENT OF A COARSE GRAINS
AGREEMENT. WHILE THE COMMISSION APPEARS FOR THE MOMENT
TO HAVE HARDENED ITS POSITION ON COARSE GRAINS, COMMIS-
SION REPS AT THE SAME TIME WERE ANXIOUS TO KEEP ON THE
TABLE THE ARGENTINE OPTION. AT ONE POINT DURING WORKING
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GROUP SESSION, EC REP IN FACT AGREED TO ACCEPT U.S. PRO-
POSAL FOR CONVENING COMMITTEE ON BASIS INDIVIDUAL
MEMBER'S REQUEST, WITH THE CONDITION THAT SECOND STAGE
CONSULTATIONS BE LINKED TO INITIAL CONSULTATIONS BY
MUTUALLY AGREED TRIGGER MECHANISM. WE BELIEVE THE EC
BOTTOM LINE COULD BE EVENTUAL ACCEPTANCE OF AN ARGENTINE-
TYPE CONSULTATIVE AGREEMENT WITHOUT PRICE TRIGGER

MECHANISM.

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